

ORDER NO. 3768

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
First-Class Package Service Contract 55 (MC2016-148)
Negotiated Service Agreement

Docket No. CP2016-185

ORDER APPROVING AMENDMENT TO
FIRST-CLASS PACKAGE SERVICE
NEGOTIATED SERVICE AGREEMENT

(Issued February 1, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a First-Class Package Service negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to First-Class Package Service Contract 55, with Portions Filed Under Seal, January 31, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3352, the Commission approved the First-Class Package Service Contract 55 negotiated service agreement (Existing Agreement).² On January 31, 2017, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service asserts that the Amendment does not materially affect the cost coverage of the Existing Agreement. *Id.*

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment replaces sections I.G.1 and I.G.2 of the Existing Agreement, which has the effect of extending the implementation period for the customer to pay negotiated prices under the contract, but does not materially affect the underlying financial analysis of the Existing Agreement. See Notice, Attachment A at 1. Thus, the Commission finds that the Existing Agreement, as amended, comports with the

² See Docket Nos. MC2016-148 and CP2016-185, Order Adding First-Class Package Service Contract 55 to the Competitive Product List, June 6, 2016 (Order No. 3352).

provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two days after the date that the Commission completes its review of the Notice. Notice at 1. The Existing Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 90 days' written notice to the other party or it is renewed by mutual agreement.³ If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the First-Class Package Service Contract 55 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary

³ Docket Nos. MC2016-148 and CP2016-185, Order No. 3352 at 5. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.